



County of Los Angeles CHIEF EXECUTIVE OFFICE

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March 16, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", written over a horizontal line.

SACRAMENTO UPDATE

This memorandum contains an overview by the Legislative Analyst's Office (LAO) of the February Budget Package report; a pursuit of County position on redevelopment legislation; a pursuit of County position on an Assembly Joint Resolution regarding reauthorization of HIV/AIDS legislation; information on a State audit of CalWORKs and Food Stamps fraud investigation programs; information on various legislative committee hearings; and the status of an Assembly Concurrent Resolution of County interest.

Legislative Analyst's Office Report

On Friday, March 13, 2009, the Legislative Analyst's Office issued a report on "**The Fiscal Outlook Under the February Budget Package**," which indicates that while the Governor and the Legislature made impressive progress by adopting \$42.0 billion in solutions to balance the State Budget through FY 2009-10, the economic and revenue outlook continues to deteriorate and State revenues will fall short of projections. The report notes that in the few weeks since enactment of the State Budget, the projected shortfall through June 30, 2010 is \$8 billion, which would require the Governor and the Legislature to adopt additional solutions in the coming months to bring the budget back into balance.

Based on the updated revenue forecasts, the LAO notes that absent corrective action, the State would be faced with annual operating shortfalls in the range of \$12.6 billion in

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FY 2010-11 to \$26.0 billion in FY 2013-14. In addition, the LAO report emphasizes that the State Budget package relies on the passage of three ballot measures in the May 19, 2009 special election to provide nearly \$6.0 billion in funding from the securitization of future lottery proceeds (\$5.0 billion), and the redirection of dedicated Proposition 63 Mental Health Services Act funds (\$230 million) and Proposition 10 child development funds (\$600 million). If these measures are not approved by the voters, the LAO indicates that the Legislature would need to quickly develop additional solutions before the start of FY 2009-10.

To address the additional budget gap, the LAO recommends that the Legislature take a two-pronged approach to deal with the immediate \$8.0 billion drop in revenues:

- 1) **Optimize the Use of Federal Funds.** With the decline in revenues, take advantage of the opportunity to use additional Federal revenues to offset State General Fund (SGF) education costs since the Proposition 98 minimum guarantee for K-14 education also will decline. The LAO notes that while seeking to offset FY 2009-10 SGF is an immediate concern, the Legislature also should seek to preserve as many Federal dollars to help balance the budget in future years; and
- 2) **Continue to Work on More Solutions.** Use the spring budget process to continue developing programmatic solutions. The LAO provides a list of options from its recent publications to reduce spending and increase revenues without additional rate increases.

The LAO's complete report is available at: www.lao.ca.gov.

Pursuit of County Position on Legislation

SB 93 (Kehoe) would require that before a redevelopment agency can pay for public works either inside or outside a project area, the agency's legislative body must make new findings of blight in a project area to spend money on a public facility inside the project area and certify that the public facility would remove blight.

SB 93 would strengthen the provisions of current redevelopment law by adding further restrictions to the manner in which a redevelopment agency can spend diverted taxes. Consistent with Board policy to strengthen the blight findings requirement to prevent redevelopment abuse and to support legislation which continues or extends the redevelopment law reforms accomplished in AB 1290 (Chapter 942, Statutes of 1993), **the Sacramento advocates will support SB 93.**

SB 93 is supported by the American Federation of State, County and Municipal Employees, AFL-CIO; California Rural Legal Assistance Foundation; Grantville Action

Group (San Diego); San Diego Councilmembers Donna Frye, Marti Emerald and Sherri Lightner; and the Western Center on Law and Poverty. It is opposed by the California Redevelopment Association. SB 93 passed the Senate Committee on Local Government on March 4, 2009 by a vote of 5-0. It is now on third reading.

Pursuit of County Position on an Assembly Joint Resolution

AJR 9 (John A. Pérez), as introduced on February 26, 2009, would urge the Congress and President of the United States to enact legislation that would provide for a three year extension of the Ryan White HIV/AIDS Treatment Modernization Act of 2006 (Ryan White), from its current sunset on September 30, 2009 to September 30, 2012.

The Department of Public Health (DPH) Office of AIDS Programs and Policy (OAPP) indicates that reauthorization of Ryan White in the form of a simple extension, with minimal changes to existing language, would result in the preservation and possible increase of funding for Los Angeles County residents. The extension proposed in AJR 9 would allow the County and State continue to develop HIV data in the next three years. More complete data would maximize County competitiveness for Ryan White formula funding in this and in future Ryan White authorizations.

The Department of Public Health notes that although AJR 9 is only advisory, Congressional staff have indicated that such a message would support their efforts to extend the current authorization for three years with little legislative language change.

Consistent with Board policy to support proposals that would increase funding for HIV/AIDS programs and activities, including Ryan White programs, HIV/AIDS screening, prevention, treatment, care, and research activities, **the Sacramento advocates will support AJR 9**. AJR 9 is sponsored by AIDS Project Los Angeles. Although there is currently no registered support or opposition, the author's office anticipates that the resolution will be widely supported because many organizations, both statewide and throughout the nation, are supportive of a three-year extension of Ryan White. AJR 9 is awaiting assignment to a policy committee.

Hearings on the Economic Stimulus/Trigger Determination

On Tuesday, March 17, 2009, the Assembly Health Committee will hold an informational hearing at 1:30 p.m. on the "Health Elements of the Federal Economic Stimulus Plan." A representative from the County Department of Health Services (DHS) will testify on the impact to the County from the Federal Safety Net Care Pool and the South Los Angeles Preservation Fund reductions. As reported on March 6, 2009, State Treasurer Bill Lockyer and Department of Finance Director Mike Genest will hold a public hearing on March 17, 2009 at 10 a.m. to discuss the trigger mechanism contained in the FY 2009-10 State Budget Act.

Assembly Budget Committee Hearing on the Federal Economic Stimulus Plan

On March 9, 2009, the Assembly Budget Committee held an informational hearing on the recently enacted \$787 billion Federal Economic Stimulus Plan. Legislative Analyst Mac Taylor and Ana Matosantos, Chief Deputy Director for the Department of Finance (DOF), made presentations before the Committee. A number of stakeholders, advocacy groups, and the Sacramento advocates provided testimony.

Mr. Taylor reported that the State is likely to be \$2 billion short of the \$10 billion in State General Fund savings needed to activate the trigger to avoid higher taxes and reductions in health and social services programs under the recently enacted State Budget Act. He called the State's fiscal forecast grim and warned that economic data suggests that revenues could plummet further. Mr. Taylor cautioned legislators to recognize the short-term nature of the Federal funds and to avoid spending the money on programs that cannot be sustained when the funding expires. He urged the Legislature to act quickly on repealing semi-annual reporting to maintain Medi-Cal eligibility for children so that California can draw down increased FMAP funds. He also suggested the Legislature act swiftly on eligible transportation projects to meet deadlines set by the Federal government, but recommended waiting until after the May special election and the Governor's May Revision to decide how to spend the Federal funds for education.

Ms. Matosantos indicated that new details of the Economic Stimulus Plan are emerging every day, especially on the competitive grants and allocation of the money. She agreed with the Legislative Analyst's estimate of \$8 billion in State General Fund savings and that it is unlikely that the State will receive the \$10 billion to activate the trigger, but noted that the DOF is working with the State Treasurer's office, and that a public hearing on the subject will be held in Sacramento on Tuesday, March 17, 2009.

A number of advocacy organizations and stakeholders urged lawmakers to find the additional \$2 billion to activate the trigger. Consistent with Board approved policy, the Sacramento advocates testified in support of restoring funding for the Federal Safety Net Care Pool and South Los Angeles Preservation Fund noting that the \$24.4 million reduction to the County equates to an annual loss of 60,000 outpatient visits.

CalWORKs and Food Stamp Program Integrity State Audit

On March 11, 2009, the Joint Legislative Audit Committee voted 8 to 4 to approve the Public Assistance Fraud Investigation audit request submitted by Assembly Member Jim Beall, Chair of the Human Services Committee. The audit will focus on systems to combat fraud in CalWORKs and Food Stamp programs operated by welfare departments in a statistically significant representative sample of California's counties, specifically including Los Angeles, Riverside, San Diego, and Sacramento counties.

California State Auditor Elaine Howle testified that her agency would complete the audit within the next six months with the objective of determining if the cost of the existing fraud investigation programs can be justified by the cost recovery or avoidance they achieve. The audit findings may include recommendations to the Legislature for policy changes.

Assembly Health Committee Hearing on Health Care Reform

On March 10, 2009, the Assembly Health Committee held an informational hearing on health care reform. Committee Chair, Dave Jones, indicated that while California has severe financial constraints, he hopes there are options to provide coverage to the State's 6.5 million uninsured, noting that health care reform is a high priority for the Obama Administration. Panelists testifying at the hearing provided updates on Federal health care reform, the current state of health coverage in California, and health care coverage options.

A representative from the Kaiser Family Foundation gave a brief overview of Federal health care reform, reporting that the key elements being discussed in a Federal plan are budget neutrality and long-term fiscal sustainability. He noted that there have been a few bills introduced in Congress, including a single payer version.

A spokesperson for the UCLA Center for Health Policy Research provided a snapshot of the current state of health coverage available in California. She reported that while employer-based coverage is the plan for many California workers, nearly 20 percent of the State's population remains uninsured even though most have full-time or part-time jobs. She noted that Los Angeles County has the highest rate of uninsured among all of California's counties.

Organization representatives spoke about various coverage options that could be available to Californians. A representative for the Center for Policy Analysis discussed universal coverage, noting that a single payer plan is a financing mechanism with cost controls, but it does not change how health care is delivered to patients, and could actually improve the quality of care. The Director of the Healthy San Francisco Program indicated that this program has made health care accessible and affordable to uninsured residents in San Francisco. She described the program as a reinvention of the safety net which has helped over 60,000 residents gain access to primary and preventive care by providing them with a medical network and primary care physician, as well as specialty care, urgency and emergency care, and hospital inpatient services.

A representative for the California Association of Public Hospitals and Health Systems said that finding and assigning patients to a medical network with a primary care physician and case management are essential elements in health care reform. He said public hospitals are seeing sicker patients with more complex and more expensive

medical problems, and that chronic disease management can help meet their medical needs, preventing more costly hospitalization.

Senate Health Committee Hearing on Healthcare Workforce

On March 4, 2009, the Senate Health Committee held a hearing to discuss California's Healthcare Workforce. This hearing focused on workforce shortages and their cause. Senate President pro Tempore, Darrell Steinberg, told committee members that California needs to have a well-trained and educated workforce to compete in this new economy. He indicated that he wants to find ways to reduce the high school drop-out rate and encourage students to decide on a career path which will keep them in school. Representatives from the Senate Office of Research, various State departments, academia, and labor spoke at the hearing.

Senate Health Committee Chair, Elaine Alquist, along with a representative from the Senate Office of Research (SOR), spoke about a recent SOR report on California's Healthcare Workforce. The report found workforce shortages in a variety of health care professions, including physicians, nurses, pharmacists, and other allied health professionals. It noted that California's current workforce does not reflect the State's racial, ethnic, and language proficiency demographic composition. Further, it found that barriers to the health care career path include an inequitable educational foundation, inadequate math and science curriculum in K-12, and lack of financial aid in higher education. Finally, the SOR report indicated that California is expected to receive about \$81 million for Workforce Investment Act (WIA) adult activities, \$189 million for WIA youth activities, and \$225 million for dislocated worker activities from the recently enacted Federal Stimulus Package.

Diane Factor, Executive Director for the Los Angeles Health Care Workforce Development Program, told the Committee about the success of the labor-management partnership between the County's Department of Health Services and the Service Employees International Union Local 721. She said that program has helped to fill crucial healthcare positions and has improved the delivery of health care services in the County. Ms. Factor noted that when motivated students are given the proper support, such as mentoring and tutoring, they can succeed. She indicated the biggest challenge has been helping students to master the necessary math and other basic skills needed to pass tests.

Many of those who testified from various colleges reported that they are starting to work with students as early as the seventh grade to prepare them for higher education. They have found too many students are ill-prepared when entering college because they lack the critical math and science skills needed to succeed, and without mastering those skills they are not prepared to further their education at higher medical institutions.

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Assembly Concurrent Resolution of County Interest

ACR 2 (Hall), which urges the University of California to expedite negotiations with the Los Angeles County Board of Supervisors and Charles Drew University of Medicine and Science regarding future management of Martin Luther King, Jr. Hospital, passed the Assembly Higher Education Committee on March 3, 2009, by a vote of 7 to 0, and proceeds to the Assembly Appropriations Committee.

We will continue to keep you advised.

WTF:GK:ML
MR:IGA:MS:sb

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities